

## Message Text

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ORIGIN ARA-14

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-----024688 090052Z /63  
O R 090025Z MAR 78  
FM SECSTATE WASHDC  
TO AMEMBASSY BRASILIA IMMEDIATE  
INFO AMCONSUL RIO DE JANEIRO  
AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: EGEN, OVIP, BR

SUBJECT: VISIT OF MINISTER OF INDUSTRY AND COMMERCE  
CALMON DE SA  
REF: BRASILIA 0862 AND PREVIOUS

1. MINISTER CALMON DE SA CALLED ON UNDER SECRETARY RICHARD COOPER AND ASSISTANT SECRETARY JULES KATZ IN THE DEPARTMENT ON FEBRUARY 23.
  2. CALMON DE SA'S MEETING WITH UNDER SECRETARY COOPER WAS CORDIAL AND INCLUDED INFORMAL DISCUSSIONS OF SEVERAL BILATERAL ISSUES. COOPER EMPHASIZED THAT MANY IN WASHINGTON, INCLUDING HIMSELF, WERE INTERESTED
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IN BRAZIL AS AN EMERGING NATION, AND THAT IT WAS USEFUL FOR MEMBERS OF THE BRAZILIAN GOVERNMENT TO COME TO THE U.S. CALMON DE SA DISCUSSED WITH COOPER THE CONCERNS EXPRESSED TO HIM BY MEMBERS OF CONGRESS ABOUT BRAZILIAN IMPORT RESTRICTIONS AND EXPORT SUBSIDIES. CALMON DE SA SAID THAT ONLY 20 OF BRAZILIAN IMPORTS WERE UNDER RESTRICTIONS, AND THAT MANY CAPITAL IMPORTS RECEIVED

INCENTIVES FROM THE GOB. HE ALSO SAID THAT BRAZILIAN MANUFACTURERS DID NOT UNDERSTAND THE U.S. COUNTER-VAILING DUTY LAW. HE TOLD COOPER THAT IT DID NOT SEEM RIGHT FOR THE U.S., WITH A TRADITIONAL TRADE SURPLUS

WITH BRAZIL, TO PRESSURE BRAZIL ON ITEMS THAT ARE INSIGNIFICANT BY U.S. STANDARDS BUT IMPORTANT FOR BRAZIL, E.G., HANDBAGS, CASTOR OIL, SCISSORS. COOPER STATED THAT THE U.S. WAS ATTEMPTING TO BUILD A MULTILATERAL SYSTEM TO BENEFIT EVERYONE, AND THAT IT SHOULD BE MORE SIGNIFICANT TO VIEW A NATION'S TRADE BALANCES OVERALL RATHER THAN BILATERALLY. CALMON DE SA MENTIONED TWO COMMODITY ISSUES TO COOPER: THE GOB DESIRE THAT THE INTERNATIONAL SUGAR AGREEMENT BE RATIFIED BY CONGRESS SO THAT THE FIXED TARIFF ON SUGAR IMPORTS COULD BE ELIMINATED OR REDUCED, AND HIS HOPE THAT CONGRESS WOULD PASS LEGISLATION ON COFFEE CERTIFICATES OF ORIGIN.

3. THESE ISSUES AND OTHER COMMODITY SUBJECTS WERE DISCUSSED IN GREATER DETAIL BY CALMON DE SA WITH ASSISTANT SECRETARY KATZ. ON COFFEE, CALMON DE SA EXPRESSED TO KATZ HIS VIEW THAT UNDER THE ICA, SURVEILLANCE OF THE COFFEE TRADE WOULD BE PERFORMED BY THE LARGEST IMPORTER (THE U.S.), NOT JUST BY EXPORTERS. HE SAID BRAZIL WAS INTERESTED IN A REVISION OF THE LIMITED OFFICIAL USE

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ECONOMIC CLAUSES IN THE ICA. THE MINISTER WAS DISAPPOINTED BY THE RECENT MULTILATERAL LONDON MEETING AND SUGGESTED THAT THE US AND BRAZIL SIT DOWN AND DISCUSS THE MATTER BETWEEN THEMSELVES. KATZ SAID THAT THE ICA WOULD LIKELY BE REJECTED BY THE CONGRESS WERE IT TO BE CONSIDERED NOW. HE TOLD CALMON DE SA THAT HE HAD BEEN ABLE TO ASSURE THE CONGRESS AND PUBLIC THAT THERE HAD BEEN NO MANIPULATION OF PRICES ON THE WAY UP BUT THAT HE COULD NOT SAY THAT THIS WAS THE CASE AS THEY CAME DOWN.

4. IN REFERENCE TO THE EL SALVADOR AND INTERBRAS ACTIVITIES AND SPECULATION IN THE "C" MARKET, KATZ STATED THAT THE CFTC IS INDEPENDENT AND OUTSIDE OF THE INFLUENCE OF STATE. CALMON DE SA OBSERVED THAT THE NEW YORK COFFEE EXCHANGE HAD CHANGED THE RULES IN THE MIDDLE OF THE GAME IN CONTRAST TO THE LONDON EXCHANGE WHERE BRAZIL HAD ENCOUNTERED NO PROBLEMS. BOTH AGREED THAT THE PRICE HAD NOT BEEN AFFECTED BY THE EVENTS ON THE NEW YORK EXCHANGE.

5. REGARDING SUGAR AND OTHER COMMODITIES, KATZ STRESSED

THE US INTEREST IN RATIFICATION OF THE ISA TO BRING THE  
WORLD PRICE UP TO 11 CENTS SO THAT WE CAN DISMANTLE THE  
FIXED FEE REGIME. CALMON DE SA ASKED IF THE US WERE  
CONSIDERING JOINING THE INTERNATIONAL COCOA AGREEMENT

AND KATZ REPLIED THAT WE WOULD IF IT WERE RENEGOTIATED.  
CALMON DE SA SUGGESTED USING COCOA AS A TEST COMMODITY  
FOR PRINCIPLES WHICH MIGHT EVENTUALLY BE USED FOR  
A COMMON FUND. KATZ SUGGESTED A U.S.-BRAZILIAN  
DISCUSSION BEFORE THE NOVEMBER MULTILATERAL MEETING  
ON COCOA. CALMON DE SA SEEMED TO AGREE WITH  
KATZ THAT THE COMMON FUND IDEA WAS MUCH TOO COMPLEX  
AND IMPRACTICAL AND THAT EFFORTS WOULD BE MORE PRO-  
DUCTIVELY SPENT IN THE PURSUIT OF PRACTICAL AND  
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ATTAINABLE INTERNATIONAL COMMODITY AGREEMENTS.

6. ACCOMPANYING MINISTER CALMON DE SA TO THE MEETING  
WITH UNDER SECRETARY COOPER WERE IBC PRESIDENT  
CALAZANS, INPI PRESIDENT CABRAL, BRAZILIAN SUGAR  
INSTITUTE PRESIDENT COSTA, DR. DAUSTER OF ITMARATY,  
AND BRAZILIAN AMBASSADOR PINHEIRO. THE SAME ENTOURAGE  
WAS PRESENT AT THE KATZ MEETING EXCEPT CABRAL AND  
PINHEIRO. IBC REPRESENTATIVES GOMES AND CAMBRAIA  
ALSO ATTENDED THE KATZ-CALMON DE SA MEETING.

7. A MORE DETAILED MEMORANDUM OF CONVERSATION ON THE  
KATZ-CALMON DE SA MEETING IS BEING POUCHED TO THE  
EMBASSY.

8. REPORTS AND MEMORANDA OF CONVERSATION ON CALMON DE  
SA'S MEETINGS WITH OTHER USG OFFICIALS WILL BE PASSED  
TO THE EMBASSY AS THEY ARE RECEIVED. THE MINISTER  
ALSO MET WITH COMMERCE SECRETARY KREPS, AGRICULTURE  
SECRETARY BERGLAND, TREASURY ASSISTANT SECRETARY  
BERGSTEN, AND IMF, IBRD, AND IDB OFFICIALS. CALMON DE  
SA SAW SENATORS RIBICOFF, STONE AND JAVITS, AND  
CONGRESSMEN RICHMOND, JEFFORDS AND VANIK. THE MINISTER  
ALSO HOSTED A LUNCHEON WHICH ASSISTANT SECRETARIES  
TODMAN AND KATZ ATTENDED.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COFFEE, MINISTERIAL VISITS, TRAVEL REPORTS, DIPLOMATIC DISCUSSIONS, COMMODITY AGREEMENTS  
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**Draft Date:** 09 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
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**Disposition Date:** 20 Mar 2014  
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